

Message Text

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E.O. 11652: GDS
TAGS: PBOR, ENRG, EG, IS, US
SUBJECT: GOI MINERALS EXPLOITATION IN OCCUPIED TERRITORY

REFS: (A) STATE 147778, (B) CAIRO 14776

1. SUMMARY: ISRAELI POLICY IS TO EXTRACT AS MUCH BENEFIT FROM MINERALS FOUND IN OCCUPIED TERRITORIES AS THEY CAN WHILE THEY HAVE DEFACTO CONTROL. THE GOI BELIEVES IT HAS A REASONABLE LEGAL CASE FOR THIS VIEWPOINT AND THAT IT WILL NOT BE DIFFICULT TO REACH AGREEMENT ON THE FUTURE OF THE RESOURCES AS PART OF A PEACE SETTLEMENT. IT IS DOUBTFUL THAT THE GOI INTENDS THESE POLICIES TO BE A PROVOCATION TO THE ARABS OR A SMOKE SCREEN TO OBSCURE MORE IMPORTANT ISSUES. EMBASSY REPRESENTATIONS TO THE GOI SHOULD HAVE LEFT NO DOUBT IN THEIR MINDS ABOUT THE SERIOUSNESS OF US CONCERN. THE ISRAELIS SHOW NO INCLINATION TO MODIFY THEIR POLICY, HOWEVER, AND IT LEAVES US WITH A REAL DILEMMA ABOUT WHAT WE DO FOR ENCORES.
END SUMMARY.

2. IN VIEW OF THE ISRAELI AND EGYPTIAN REACTIONS TO OUR POSITION ON GOI MINERALS EXPLOITATION POLICY, AS REPORTED IN REFTELS, WE WANT TO PROVIDE A VIEW OF THE PROBLEM
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TEL AV 07501 140817Z

AS SEEN FROM HERE.

3. GOI POLICY ON MINERALS EXPLOITATION IN OCCUPIED TERRITORY IS QUITE SIMPLE: UNDER INTERNATIONAL LAW ISRAEL HAS FULL EXPLOITATION RIGHTS AND IT INTENDS TO EXERCISE THEM. AT THE SAME TIME, THE GOI HAS REPEATEDLY STATED IN PUBLIC THAT SUCCESSFUL MINERALS EXPLORATION

AND EXPLOITATION WILL IN NO WAY BE ALLOWED TO INTERFERE WITH THE CONCLUSION OF A PEACE AGREEMENT. LYING BEHIND THE ISRAELI ASSERTIONS ARE:

--THE CONVICTION THAT INTERNATIONAL LAW ON THIS SUBJECT IS QUITE UNCLEAR AND THAT A LARGE QUANTITY OF RESPECTABLE LEGAL OPINION IN SUPPORT OF THE ISRAELI POSITION CAN BE FOUND.

--THE ISRAELI CONVICTION THAT, SINCE IT WOULD BE WILLING TO GIVE UP THE ALMA FIELD AND ANY OTHER MINERAL FINDS TO EGYPT IN A PEACE AGREEMENT, THE PROSPECT OF RECEIVING A PRODUCING FACILITY RATHER THAN POTENTIAL PRODUCTION SHOULD BE AN ADDED INCENTIVE FOR EGYPT TO PURSUE THE PEACE OPTION. OF COURSE, THE GOI WOULD LIKE TO CONTINUE SOME FORM OF COOPERATIVE ARRANGEMENT (PRODUCTION SHARING OR SUPPLY ACCESS) AFTER THE SETTLEMENT AND WOULD EXPECT COMPENSATION FOR ITS INVESTMENTS.

4. THE ISRAELIS HAVE NOT FOCUSED ON THE IDEA OF COMPENSATION TO THE GOE FOR THE DEPLETION OF MINERAL RESOURCES, BUT THE BASIC ASSUMPTION HERE SEEMS TO BE THAT THIS COULD BE HANDLED IN A PEACE PACKAGE--IN WHICH OTHER PARTIES WOULD PICK UP MOST OR ALL OF THE FINANCIAL COSTS.

5. IT IS DOUBTFUL THAT THE ISRAELI ACTIONS WERE INTENDED AS A PROVOCATION FOR THE ARABS OR AN ATTEMPT TO EMBARRASS SADAT. RATHER, THE ISRAELIS PROCEED WITH THE CONVICTION
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TEL AV 07501 140817Z

THAT, SINCE THEY CONQUERED THE SINAI "FAIR-AND-SQUARE", IT IS THEIR TO DO WITH PRETTY MUCH AS THEY PLEASE UNTIL PEACE IS ARRANGED. THEY HAVE NO DOUBT THAT THE ARABS WOULD DO LIKEWISE IF THE SHOE WERE ON THE OTHER FOOT. PRODUCTION FROM THE ALMA FIELD IS NOT SEEN HERE AS AN EFFORT TO DIVERT ATTENTION FROM THE MAIN PEACE ISSUE. AS WE HAVE HEARD SO MANY TIMES FROM THE GOI, THE SINAI PROBLEM IS RESOLVABLE: THE QUESTION OF THE FUTURE OF THE WEST BANK AND THE PALESTINIANS IS MUCH MORE DIFFICULT.

6. CERTAIN ISRAELIS MAY CHOSE TO BEHAVE AS IF USG DEMARCHES ON THEIR OIL POLICY AHVE BEEN "PRO FORMA", BUT THIS VIEW IS NOT SUPPORTED BY THE FACTS. EMBASSY DEMARCHES HAVE BEEN PRESENTED IN THE SPIRIT OF THE INSTRUCTIONS. IN ADDITION, ENERGY MINISTER MODAI AND TOP MFA OFFICIALS HAVE BEEN TOLD INFORMALLY THAT WE CONSIDER THIS A GRAVE POTENTIAL IRRITANT TO OUR BILATERAL RELATIONS. THEIR RESPONSE HAS BEEN LOW-KEY, BUT WE HAVE THE FIRM IMPRESSION THAT NO CHANGE IN POLICY IS ANTICIPATED.

7. THIS LEAVES US WITH THE INTERESTING QUESTION OF WHAT THE USG SHOULD DO IF WE WISH TO IMPRESS BOTH PARTIES

WITH OUR CONCERN. WE CAN'T SEIZE THE OIL FROM ALMA II
BECAUSE IT IS CONSUMED IN ISRAEL (SO FAR AS WE KNOW).
SEIZING OF OTHER GOI OR US COMPANY ASSETS IS OUT OF THE
QUESTION. WE SUPPOSE THAT THE DEPARTMENT HAS EXAMINED
CAREFULLY WAYS OF DISCOURAGING NEPTUNE AND OTHER
US COMPANIES FROM COOPERATING WITH THE GOI. THESE
EFFORTS HAVE NOT BEEN VERY SUCCESSFUL SO FAR; AND WE
SUSPECT THAT IF THEY WERE, THE AMERICAN COMPANIES WOULD
QUICKLY BE REPLACED BY THOSE FROM OTHER COUNTRIES. IN
THAT CASE, OUR SKIRTS MIGHT BE CLEANER, BUT THE EGYPTIANS
WOULD NOT BE APPRECIABLY BETTER OFF. IN OUR VIEW, THE
ISSUE WILL ONLY BE DEALT WITH SUCCESSFULLY AS A SUBSIDIARY
ISSUE IN A PEACE SETTLEMENT. UNTIL THEN, WE EXPECT
THE ISRAELIS TO CONTINUE TO PURSUE THEIR PRESENT COURSE.
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PAGE 04 TEL AV 07501 140817Z

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